

KE KUMU

STRATEGIC DIRECTIONS FOR HAWAII'S VISITOR INDUSTRY

**PREPARED BY THE HAWAII TOURISM AUTHORITY
JUNE, 1999**

Ke Kumu

Most Hawaiian words have more than a single meaning. The more common or familiar meaning of *Ke Kumu* is “the teacher.” However, it also has several other meanings including the following:

- Base, foundation, basis, title (as to land), main stalk of a tree;
- Teacher, tutor, manual, primer, model, pattern;
- Beginning, source, origin, and
- Reason, cause, goal, purpose.

The phrase *Ke Kumu* also refers to that source deep within each of us which a person draws strength or calm from when everything else around may be stormy.

These various meanings have particular relevance to this first Tourism Strategic Plan for Hawaii and the first appointed body of the Hawaii Tourism Authority.

- The Tourism Strategic Plan forms the *basis* or *foundation* upon which Hawaii’s future as a visitor destination will be built.
- Both the plan and the HTA itself are intended to be a *primer* or *model* for Hawaii’s tourism industry in particular but which has potential impact on other segments of Hawaii’s total economy and future.
- The plan is the primary *purpose* for the legislative creation of the HTA. The first 13 members of the HTA represent the *source* from which this plan originates. This plan also represents the single *purpose* of bringing 13 diverse members of the Hawaii community to work together, in several cases, for the very first time.
- Finally, as we near the end of the economic turbulence of the 1990s, the tourism strategic plan represents the collective efforts of both the HTA and the Hawaii community in “digging deep” within ourselves to take better control of our future rather than passively waiting for external factors beyond our control to change.

With the input of approximately 2,200 people from a broad cross-section of the community, the Hawaii Tourism Authority has prepared a strategic plan to provide direction for Hawaii’s visitor industry as it enters the next millennium. The HTA, through its members, and this Tourism Strategic Plan, stands ready to serve as the *source* of leadership from which Hawaii’s community draws guidance. The Authority strongly encourages the people of Hawaii to use the Tourism Strategic Plan, and actively participate in the effort to revitalize, strengthen, and sustain Hawaii’s visitor industry.

Executive Summary

The Hawaii Tourism Authority (HTA), established by Act 156, SLH 1998 and activated by Governor Benjamin Cayetano in October 1998, commenced its formal duties almost immediately upon convening. This document, **The Tourism Strategic Plan (TSP)**, is the fulfillment of one of the primary responsibilities of the HTA. It is the beginning of a determined process of accomplishment of the HTA's mission of managing the strategic growth of Hawaii's visitor industry in a manner consistent with the economic goals, cultural values, and community interests of the people of Hawaii.

While the TSP is systematically organized to give background, mission, underlying values, business practices and goals, a very important section of the TSP is dedicated to Strategic Directions, a presentation of assets and challenges as well as seven key strategic initiatives. The strategies included in the TSP are essentially a response to **three imperatives related to strengthening tourism for the benefit of Hawaii's community**:

- 1) The need to **create demand** for Hawaii's tourism product.
- 2) The need to **revitalize and diversify** the Hawaii tourism product.
- 3) The need to **increase visitor spending** per person per day (PPPD\$).

This initial TSP is based on two "foundation" efforts: A competitive analysis describing the kind of trends and competition Hawaii currently faces throughout the world, and a product assessment describing both the reality and perception of the kinds of events, attractions and experiences which Hawaii provides visitors. As it should be, the TSP has been launched by the HTA as a **living document**, suitable for updating, revising, and adjusting as economic factors, community values, and legal mandates require.

Since Hawaiian statehood was achieved in 1959, tourism has evolved into the state's economic mainstay and continues to have a profound influence on the community. Tourism is not only the chief generator of employment for Hawaii's people, but it is the primary source of revenue into the community through visitor expenditures and tourism-related capital investment. In addition, it is important to note that tourism's success over the years stems from the natural and cultural resources of the community.

Commencing in 1991, a number of conditions have altered the trend of constant strengthening of the visitor industry: the Persian Gulf War, increased global competition, the Asian economic crisis, and Hurricane Iniki.

In 1998, the Hawaii Tourism Authority was created through Act 156 by Governor Cayetano and the Hawaii State Legislature. The legislation: (1) increased the hotel room tax to 7.25% and broadened the base to include time share accommodations; (2) dedicated 2.75 percentage points of the hotel tax to create a perpetual Tourism Special Fund; and (3) created the 13-member HTA, a governor-appointed, first-ever congregation of a significant number of Hawaii's key business leaders—both from inside and outside of the visitor industry.

The HTA's mission, as stated earlier, is to manage the strategic growth of Hawaii's visitor industry in a manner consistent with the economic goals, cultural values, and community

interests of Hawaii's people. The HTA's stated values range over an array of deeply seeded legacies of the culture of Hawaii and its people.

In its dedication to conduct its affairs in a businesslike fashion, the HTA has focused on key practices: assist in overall economic diversification of the state; assure accountability in handling public tax dollars; enable, energize and optimize all dedicated resources; remove or ameliorate obstacles; and provide positive leadership.

The HTA's seeks to manage the growth of tourism's contribution to Hawaii's economy by targeting an average annual uninflated growth of 4.6 percent in **visitor expenditures** through 2005. Visitor expenditures are a product of three variables: 1) visitor expenditures per person per day; 2) length of stay; and 3) the number of visitor arrivals. The HTA's focus will be on better utilization of existing facilities, value-added visitor products and experiences, and increasing yield.

The TSP identifies and describes **seven strategic initiatives**, which are contemplated for immediate implementation. Each is described in detail in the TSP text and annexes:

- 1) **Communication and Community Relations:** Implement a communication, education, and outreach plan to enhance understanding of, support for, and participation in tourism by the community, visitor industry and government agencies.
- 2) **Marketing** (by major marketing area): Increase promotional presence and brand identity to more globally competitive levels to optimize performance in each Major Market Area.
- 3) **Events:** Develop and support events that generate cost effective awareness of the Hawaii brand through national and international exposure.
- 4) **Product Development:** Develop new tourism events, experiences and attractions relating to agriculture, culture, education, health and wellness, nature, sports and technology to complement Hawaii's traditional resort product and assist in overall economic diversification. Develop community-based tourism programs.
- 5) **Airlift:** Facilitate growth in airlift to Hawaii in a way that is profitable to the air carriers.
- 6) **Infrastructure and Support Services:** Be a strong advocate for investments in infrastructure and support services to strengthen tourism and enhance resident quality of life, particularly the revitalization of Waikiki and other key tourist destination areas.
- 7) **Regulations and Investment Incentives:** Support changes in laws, regulations and capital spending to enable development of alternative and diversified products and new attractions while sustaining Hawaii's natural and cultural resources, and community values.

While implementation may be creative and flexible, the HTA's TSP provides the strategic framework for a broad, community-wide renewal of the genius that has made Hawaii one of the premier visitor destinations on earth. The foregoing strategic initiatives constitute a "new beginning," energized by a realization that cooperation and commitment from all sectors can accomplish great things.

Tourism in Hawaii

The Hawaiian Islands define paradise. With the most temperate climate on Earth, its stunning vistas, dramatic mountain ranges, lush rainforests, awe-inspiring volcanoes, crystal clear waters and abundance of wildlife, the Hawaiian Islands have been truly blessed. Hawaii portrays an image of unsurpassable beauty and tranquility — certainly an enviable image by any standard.

A unique island paradise located in the mid-Pacific, Hawaii has welcomed visitors for more than one hundred years. Mark Twain and Robert Louis Stevenson visited the Hawaiian Islands when steamship was the common mode of trans-Pacific travel. With the advent of the jet aircraft, travel to Hawaii became more easily attainable for a larger segment of the global population.

Since statehood in 1959, tourism has grown to become the economic mainstay of Hawaii. Today, tourism remains an integral part of Hawaii's community and has a profound influence on many aspects of the lives of Hawaii's people. The following illustrates these points:

- **Tourism is the chief generator of employment for Hawaii's people.** Currently, one in every three jobs in Hawaii is tourism-related. This includes direct employment by travel companies providing services to visitors and business travelers; and indirect employment by (1) government agencies providing services to visitors, business travelers, travel companies and the community-at-large and (2) supplier companies which provide goods and services to travel companies and government agencies which serve visitors. Exhibit 1 illustrates the direct and indirect employment generated by tourism.
- **Tourism is the primary source of revenue into the community through visitor expenditures and tourism-related capital investment.** In 1999, the World Travel & Tourism Council projects Hawaii's visitor industry will account for 26 percent of the Gross State Product and 27 percent of total tax revenues. Tax revenues generated by travel and tourism include: \$1 billion in state and federal income taxes, \$350 million in general excise taxes, \$150 million in transient accommodation taxes, and \$33 million in car rental taxes. All or part of each of these tax revenue sources are used for health, education, public safety, infrastructure, and natural resource management programs for Hawaii's community.
- **Tourism's success stems from the natural and cultural resources of the community.** Hawaii's remarkable natural assets, cultural diversity, and world-renowned aloha spirit, combine to attract millions of visitors to Hawaii each year. While resort areas with visitor accommodation facilities are prevalent landmarks for tourism, it is Hawaii's scenic beauty, unique physical features, and multi-cultural heritage which provide high quality experiences for visitors. Opportunities abound for residents and visitors to meet and interact as visitors travel throughout the community to experience Hawaii's natural and cultural resources. This aspect of tourism most often results in positive interaction between residents and visitors; however, conflicts do occur. It is essential to manage the promotion of Hawaii's natural and cultural resources to maximize the benefits for both residents and visitors.

Exhibit 1



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In 1991, after enjoying strong and sustained growth in tourism for more than 30 years, Hawaii experienced the beginning of a decline in visitor arrivals. Multiple factors have contributed to this decline including recent weakness in key Asian economies, increased global competition, the Persian Gulf War in 1991, and Hurricane Iniki in 1992. In addition, Hawaii is challenged with a decreasing share of first-time visitor arrivals from the U.S. mainland.

Tourism in Hawaii is now at a critical stage of its lifecycle and operates within global and local environments that are vastly different from those which allowed it to prosper in the past.

- The global economy has changed the competitive framework for Hawaii tourism.** Hawaii now has relatively new and formidable competitors in several market areas that are investing heavily in promotion and product development. Technology and consolidation of travel distribution systems are changing the way people make travel decisions and book their trips. Domestic and international airlines are forming alliances to develop the most competitive routes.

- **Resident and visitor population growth and development have changed the needs and desires of Hawaii's people.** As an island state, Hawaii faces a natural constraint on the development and use of its resources. Future population growth and economic development will require more coordinated planning than has occurred in the past in order to create the right balance between achieving economic objectives and sustaining Hawaii's natural and cultural resources.

Formation of the Hawaii Tourism Authority

In 1997, after seven years of a stagnant economy, Hawaii's leaders came together to address Hawaii's overall economic dilemma. While the State Legislature has consistently appropriated tourism marketing funds, the levels of funding have fluctuated over the years, as has tourism's priority against other government funding demands. Governor Benjamin Cayetano and the 1998 Hawaii State Legislature worked diligently to develop a new and dedicated mechanism to fund tourism, to increase the level of funding for tourism to a globally competitive level, and to create a cabinet-level Tourism Authority for policy and fiscal oversight, tourism development and marketing. The key initiatives of Act 156 which signaled breakthrough change in the way tourism had previously been perceived and funded were:

- **Hotel Tax** – The Transient Accommodations Tax (TAT) was increased from 6 percent to 7.25 percent and was broadened to include time share accommodations.
- **Dedicated Tourism Funding** – 2.75 percentage points of the TAT was dedicated to create an annual tourism fund of approximately \$50 to \$60 million.
- **Hawaii Tourism Authority** – A cabinet level executive board was established to oversee the new tourism fund, create a vision for tourism and administer tourism development from a statewide perspective. The thirteen-member board (eleven voting, two non-voting) is representative of all sectors of the visitor industry, the business community, the general public, and all four counties of the state; and is Hawaii's first real tourism partnership between business and government.

The Hawaii Tourism Authority (HTA) has been given a number of enumerated powers, but its primary responsibilities include the development of a Tourism Strategic Plan (TSP) for Hawaii, tourism marketing, performance measurement, and accountability for expenditures.

Mission Statement of the Hawaii Tourism Authority

To manage the strategic growth of Hawaii's visitor industry in a manner consistent with the economic goals, cultural values, preservation of natural resources, and community interests of the people of Hawaii.

Values

The HTA firmly believes that the fundamental strength of Hawaii's attraction as a tourism destination is its *aloha* which is preserved and made manifest by its people. In that regard, HTA has adopted a set of principles based on the values of Hawaii's host culture to guide its work and achieve the goals set forth below. The *mana`o* (thought, belief, idea, opinion, theory, intention) which forms the basis for the TSP — and all HTA activities — are as follows:

Ho`okipa – To properly host visitors, whether invited or unexpected, is an important value in Hawaiian culture. Hawaiians of the past took great pride in hosting or entertaining visitors. Today, we reaffirm our pride in hosting visitors from around the world with a quality visitor experience.

Lokahi – The literal translation of *lokahi* means agreement, unity, harmony or accord. The figurative translation, however, refers to a group working together toward a common goal with that common goal having a positive benefit for all. Likewise, the HTA values local community involvement in defining and planning a successful tourism industry so that it supports the quality of life for Hawaii's residents.

Pulama i ka ho`oilina – *Ho`oilina* means legacy and *pulama* means care, cherish, or treasure. For HTA, this phrase refers to caring for the legacy that will be handed down to future generations and supporting the preservation of Hawaii's unique cultural heritage which has shaped Hawaii's history and identity.

Aloha `aina – In caring for the land and ocean, the Hawaiians of old viewed themselves as stewards of the land and ocean which sustained all life. Therefore, the HTA today recognizes the importance of preserving Hawaii's fragile natural environment and natural resources to sustain future generations of residents and visitors.

Alaka`i – Literally, this word means lead, guide or direct and/or refers to a leader, guide or conductor. The HTA recognizes Hawaii's potential to be the premier training and educational center for the tourism community and for students in Hawaii and around the world.

Ho`oulu (To grow, to inspire) – The HTA desires to be a building block for growth and diversification of local products as an export into the worldwide distribution system.

Ho`okahua (To build a foundation; also infers developing long stability over the long haul) – The HTA will strive to build a foundation that encourages and supports product growth, diversification and a diversified visitor mix. This foundation will (a) support a broader range of products and services within the local business community; and (b) serve the long term business and economic cycles impacting the health and welfare of Hawaii's residents.

Palekana (Safety) – A core value of HTA is to maintain a safe and secure environment for all residents and visitors.

He kulana i mahalo`ia (A position of admiration or appreciation) – The HTA shall strive to earn the respect of the people by its contribution to the state and the community.

Business Practices

The following business practices characterize the manner in which the HTA will go about its challenge to achieve the economic goals set forth below:

- **Assist in the overall economic diversification of the state** by linking tourism with emerging as well as established industries to create new economic sectors. The development of such inter-industry partnerships will diversify, strengthen, and revitalize Hawaii's tourism product.
- **Assure accountability for the expenditure of public monies** in the management of marketing programs. Systematic performance management practices will maximize and leverage public and private sector resources in a proactive, rather than reactive, manner.
- **Enable, energize, and optimize** the positive impact of all tourism industry, community and government resources toward the goals and objectives of the strategies.
- **Remove or ameliorate obstacles** which dilute the quality of the tourism product, add to its cost to the industry and the consumer, and which thwart the goals and objectives of the strategies.
- **Provide positive leadership**—both within and outside the visitor industry—which results in a high confidence level in the role and strategy of the Hawaii Tourism Authority. This will include a proactive communications effort on all fronts, and a leadership role in redefining the public image of Hawaii's tourism product.

Goals

The HTA's priority is to achieve managed growth of Hawaii's tourism industry by focusing on increasing visitor expenditures. Cognizant of Hawaii's finite wealth of natural resources, the HTA recognizes that growth in visitor arrivals is secondary to growth in visitor expenditures.

Achieve managed growth of Hawaii's tourism industry by focusing on increasing visitor expenditures.

***Total Visitor Expenditures =
Expenditures Per Person Per Day x Length of Stay x Visitor Arrivals***

Visitor expenditures are a product of: (1) expenditures per person per day; (2) length of stay; and (3) visitor arrivals. The strategies identified in this plan have been developed to maximize visitor expenditures by strengthening the components of the visitor expenditure equation.

Product development and diversification initiatives impact the daily expenditures and length-of-stay components of the equation. The priority will be on better utilization of existing facilities. Product revitalization initiatives will focus on adding value and increasing yield.

Marketing initiatives impact all three components of the visitor expenditure equation. The priority will be on targeting visitors with a propensity for higher-spending and/or longer lengths-of-stay.

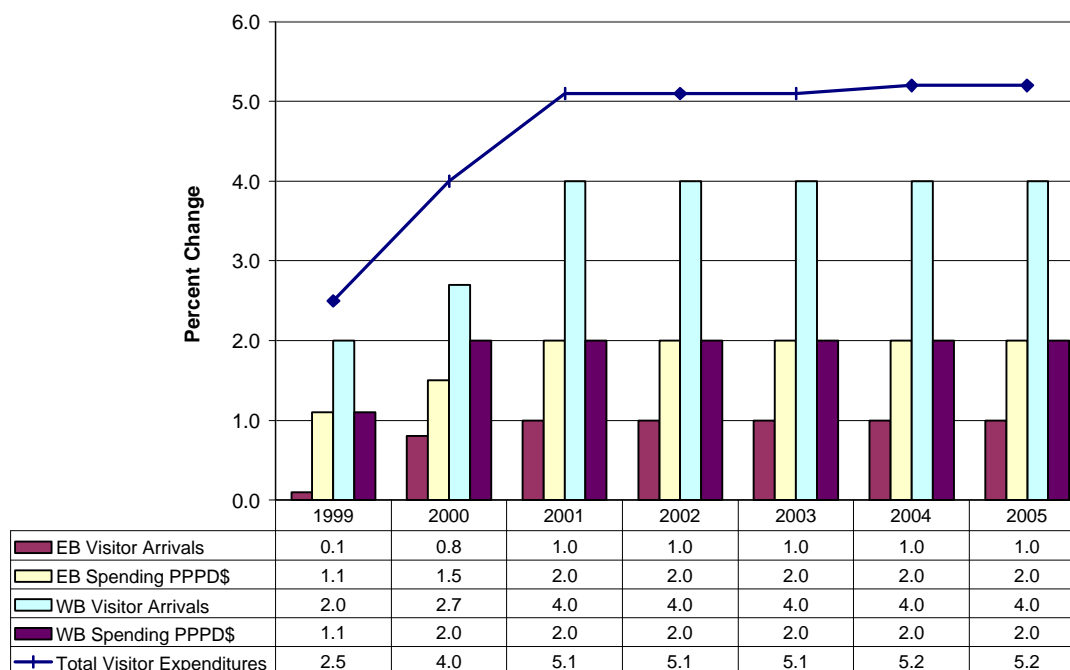
GOAL: Average annual growth rate of 4.6 percent in visitor expenditures through 2005.

The HTA seeks to manage the growth of tourism's contribution to Hawaii's economy by targeting an average annual growth rate of 4.6 percent in *visitor expenditures* through 2005 (2.7 percent real growth after adjusting for inflation). This moderate rate of growth is lower than the growth experienced historically and would boost Hawaii's overall economy by approximately 0.7 percent. Modest growth in Hawaii's visitor industry will provide additional resources, and help leverage economic diversification initiatives of the state.

The goals, illustrated in Exhibit 2, are economic growth targets for the state as a whole. Visitor expenditure targets by county are still being refined. See Appendix A for additional information.

Exhibit 2

State Visitor Expenditure Growth Goals

**Note:**

Percentage growth has not been adjusted for inflation. When adjusted for inflation, the average annual growth rate in visitor expenditures is 2.7 percent through the year 2005.

Strategic Directions

With the coming of the 21st century, today's visitors have become increasingly sophisticated and are looking for more of everything in a vacation — more excitement, more value and more experiences. This, in turn, has given growth to a slew of fierce competitors which are more numerous, smarter, and armed with substantial resources to attract them. In order for Hawaii to prosper and fulfill its potential to become a tourism leader in the millennium, the proper balance between staying competitive (demand) and keeping Hawaii's cultures, values and product (supply) intact must be achieved.

The HTA has assumed the state's leadership role as steward for this important charge and has developed several targeted directives. These strategic directions are based on assessments of Hawaii's position within the global tourism marketplace, and the quality of the Hawaii tourism product, including community support of the industry. The major findings and conclusions of the competitive analysis and product assessment studies are classified by demand and supply issues, and summarized in the following table.

Summary of Hawaii Tourism Assets and Challenges

	Assets	Challenges
Demand/Marketing Issues	<ul style="list-style-type: none"> • Hawaii's worldwide positive brand name • Credibility among key players • Strong beach & touring image • Exciting, safe, and worry-free destination 	<ul style="list-style-type: none"> • Lack of visibility in the marketplace • High cost perception • Geographic isolation, time and distance perception • Low eastbound awareness of Neighbor Islands • Raised global destination playing field • Growing competition for travel agent attention • Changing travel distribution systems • Prolonged weakness of Asian economies • Airlift capacity
Supply/Product Issues	<ul style="list-style-type: none"> • New convention center • New attractions • Aloha spirit • Cultural diversity • Multicultural/multilingual workforce • Stable political environment • Year-round temperate weather • Pristine environment & beauty • Luxurious golf courses & resorts • Ocean & sports venue • Many players in new product niches such as agricultural, cultural, education, health and wellness, nature, sports, and technology tourism. 	<ul style="list-style-type: none"> • Aging visitor plant in key resort areas and lack of reinvestment • Underdeveloped and poorly maintained park facilities • Intra-island resource conflicts • Lack of awareness of new things to see and do • High cost of development and operations • Time consuming regulatory and approval process • Becoming too familiar to Japanese • Lack of coordinated visitor industry input in government policy • Community support for tourism

The HTA formulated the Tourism Strategic Plan (TSP) for the purpose of embracing its mandate, fulfilling its mission, and justifying the high expectations of the HTA by the industry and people of Hawaii. The TSP contains strategic directions in the following seven areas:

- Communication and Community Relations
- Marketing
- Events
- Product Development
- Airlift
- Infrastructure and Support Services
- Regulations and Investment Incentives

Within each area, the TSP presents a brief assessment of the issues of concern, and the strategic direction to undertake that will contribute to the strengthening and revitalization of the tourism sector of Hawaii's economy. The plan reflects the complex nature of tourism, and the various components that need to work together to deliver products, services and experiences that are satisfying to visitors, compatible with Hawaii's lifestyle, and assists in the overall diversification of Hawaii's economy.

STRATEGIC INITIATIVE A: COMMUNICATION AND COMMUNITY RELATIONS

STRATEGY: Implement a communication, education and outreach plan to enhance understanding of, support for, and participation in tourism by the community, visitor industry and government agencies.

There are many stakeholders in Hawaii tourism — visitors, residents, private businesses, and government agencies — all of whom have different issues of interest and concern. As the overall government authority responsible for tourism, the HTA will serve as the vital link that keeps these stakeholders connected and moving in the same direction. The HTA will strive to facilitate relationships among community, industry and government stakeholders by coordinating broad discussion on relevant tourism issues.

The HTA further recognizes that increased public support and participation in tourism are essential to the future economic success of Hawaii. The HTA will develop a communication plan to increase public awareness and understanding of tourism, and obtain input on issues of concern.

The HTA communications strategy will consist of multiple parts including, but not limited to:

- Surveys and focus groups to accurately assess the community's pulse;
- Partnerships between government, private organizations and educational institutions that support tourism and which encourage public education of tourism, including business assistance training that encourage development of community-based tourism businesses;
- Support and promotion of venues that involve both residents and visitors; and
- Advocacy of tourism issues at various government levels.

STRATEGIC INITIATIVE B: MARKETING

STRATEGY: Increase promotional presence and brand identity to more globally competitive levels to optimize performance in each Major Market Area (MMA).

- ***Structure marketing efforts to stimulate demand during shoulder periods (spring and fall).***
- ***Develop cooperative programs with travel partners to optimize use of HTA resources for Brand marketing.***
- ***Support TV and film initiatives that provide cost-effective, high-profile exposure.***

The HTA's primary responsibility is to oversee the marketing and promotion of Hawaii to the world. Increasing promotional presence and solidifying Hawaii's brand identity will be at the core of the HTA's efforts. The overriding priority is to allocate marketing resources so as to increase the total expenditures made by visitors in Hawaii thus creating jobs and generating tax revenues.

In the past few years, even with Hawaii's great product and well-recognized brand, Hawaii has been overshadowed in the global promotional battle. Hawaii has not been able to apply sufficient marketing resources to keep in front of consumers and maintain its fair market share. As a result, visitor expenditures have declined. With the creation of the dedicated Tourism Special Fund, Hawaii will be able to deliver a more globally competitive marketing and promotional effort.

With the ability to apply additional resources comes the need to be more sophisticated about the approach to marketing and the responsibility to measure effectiveness of expenditures. To facilitate enhanced marketing focus and improve the ability to assess effectiveness of marketing expenditures, the HTA has segmented the world into the following major market areas (MMAs):

- | | |
|------------|-----------------------------|
| 1. US West | 6. Latin America |
| 2. US East | 7. Other Asia |
| 3. Japan | 8. Oceania |
| 4. Canada | 9. Hawaii Convention Center |
| 5. Europe | 10. Other |

With the exception of the Hawaii Convention Center, the MMAs represent geographic areas around the world that have roughly similar travel characteristics. Given the investment in the Hawaii Convention Center and the different nature of the marketing of city-wide convention business, it will be treated separately. Visitor statistics, particularly visitor spending patterns, will be measured for each MMA.

Resource allocations to the MMAs will be based on obtaining the highest return on investment in terms of visitor expenditures, not just arrivals. Separate marketing strategies and performance allocations will be made for each MMA. See Appendix B for a summary of individual MMA strategies.

STRATEGIC INITIATIVE C: EVENTS

STRATEGY: Develop and support events that generate cost effective awareness of the Hawaii brand through national and international exposure.

Hawaii's focus will be on a year-round series of signature events which become an integral part of the overall marketing plan for the state. These events will include some of the most significant and prestigious events in the world of professional and college football, college basketball, professional golf, triathlon and marathon, and ocean sports. Through national and international television and other worldwide media outlets, Hawaii will be showcased as "the" place for recreation and activity.

Support and marketing leverage will be provided to visitor attraction events such as the Honolulu Festival and French Festival which will continue to provide incremental visitor expenditures to the State. Major Island events such as the Maui Writers Conference, A Taste of Lahaina, Kapalua Wine & Food Symposium, Savor the Flavors of Kauai and the Hawaiian Paniolo Music Festival will provide economic diversification throughout the Island chain.

Cultural events such as the Aloha Festivals, Merrie Monarch and King Kamehameha celebrations will provide unique insight into Hawaii's host culture.

Additionally, there is a widespread desire to increase the number of, and attention to, special events and festivals, particularly in the "shoulder seasons" when the visitor counts traditionally decline. The HTA will endeavor to provide an annual calendar of events to minimize fluctuations in visitor arrivals and expenditures. Additionally, this initiative should minimize airlift concerns as to load capacity in the "off season." The successful implementation of this strategy will accord the HTA additional leverage in increasing airlift capacity to Hawaii.

See Appendix C for additional information.

STRATEGIC INITIATIVE D: PRODUCT DEVELOPMENT

STRATEGY: Develop new tourism events, experiences and attractions related to agriculture, culture, education, health and wellness, nature, sports and technology to complement Hawaii's traditional resort product and assist in overall economic diversification. Develop community-based tourism programs.

The HTA will serve as a catalyst for product and community-based tourism development to assist in the diversification of Hawaii's economy. The Authority will seek to develop programs and experiences related to agriculture, culture, education, health and wellness, nature, sports, and science and technology to complement Hawaii's traditional leisure product offerings. Working with island and community organizations, the Authority hopes to spawn new niche markets, thus creating entrepreneurial opportunities in the private sector. The HTA will provide the leadership and resources to effect a statewide synergy and focus.

Dynamic activity exists within each new product area and HTA resources will create a firm base for the enhancement of these products to higher levels. Working with island advisory groups, the HTA will: (1) establish clear markets for each product area; (2) exploit synergies between tourism products; and (3) provide for a coordinated information base which is easily accessible.

Agri Tourism is tourism related to experiencing and appreciating agricultural products, settings, and lifestyles.

Cultural Tourism is tourism related to Hawaiian culture, Hawaii's multi-cultural character and traditional western cultural expressions and institutions.

Edu Tourism is travel for the purpose of formal and informal education and training in life-long learning experiences in Hawaii's unique natural and multi-cultural environment.

Health and Wellness Tourism is travel for the purpose of enhancing the wellness of the mind, body, and spirit of individuals, families, and groups.

Eco Tourism is nature-based travel to Hawaii's natural attractions to experience and study Hawaii's unique flora, fauna, and culture in a manner which is ecologically responsible, economically sustainable, and encourages the well-being of the local community, and is infused with the spirit of *aloha aina*.

Sports Tourism is travel for the purpose of being a fan, athlete, or participant in sporting events or life-style activities.

Techno Tourism is travel for the purpose of using Hawaii's scientific and technical resources as well as attending conferences and symposiums devoted to the use of these assets.

See Appendix D for additional information.

STRATEGIC INITIATIVE E: AIRLIFT

STRATEGY: Facilitate growth in airlift to Hawaii in a way that is profitable to the air carriers.

It is widely recognized that in marketing a leisure visitor destination, the challenge emerges of exactly how to ensure that the critical transportation resources are in tune to carry enough customers to the market. All of Hawaii's most effective marketing falls short of success if air carriers choose not to support the tourism plant with sufficient capacity.

A fair assumption can be made that decisions to fly routes with particular frequency and equipment are deliberate and complex. These decisions are based on a variety of factors, including marketing costs and distribution networks, airport issues, route and hub strategies, international agreements, and yields.

Because Hawaii is totally dependent on air transportation companies for tourism customers, it is critical that tourism planners — and hopefully a broad base of business leaders as well — seek and maintain as thorough an understanding of airline economics as possible. This is particularly important when it comes to understanding the decision-making process leading to changes in airline service to the islands.

The HTA intends to initiate efforts to increase awareness, industry and public support, and direct communication with airline companies which will result in the increase of airline service to Hawaii. The HTA will also advocate changes in airport operations and policies which will make it more cost effective for airline companies, encouraging the desired effect of increasing and stabilizing service to Hawaii. In addition, the HTA will support efforts to initiate new direct and/or non-stop service from cities not adequately connected to Hawaii. The HTA will encourage the enhancement of direct service into neighbor island airports, but at the same time, will be sensitive to how such service may impact the viability of Hawaii's unique inter-island air system.

The HTA will address airlift issues in tandem with its marketing and product development initiatives in order to maximize Hawaii's ability to stimulate demand during shoulder periods, cultivate the higher-yield business traveler, and develop new markets for the export of agricultural products.

STRATEGIC INITIATIVE F: INFRASTRUCTURE AND SUPPORT SERVICES

STRATEGY: Be a strong advocate for investments in infrastructure and support services to strengthen tourism and enhance resident quality of life, particularly the revitalization of Waikiki and other key tourist destination areas.

The HTA will not be limited to marketing and promotion. It will be involved in the overall management of Hawaii tourism. The Authority will provide a unified “voice” in monitoring tourism-related infrastructure and support services issues as well as providing advocacy for initiatives to strengthen tourism and enhance resident quality of life.

Hawaii’s future economic health is largely dependent on its ability to provide a safe, secure environment for visitors and residents. An actual increase in crimes against visitors to Hawaii — or even the perception of such an increase — and the resultant bad feelings about the destination, can adversely impact future visitor arrivals, expenditures, and hence, the tax revenues that support public facilities and services. The HTA will work with industry and government entities to ensure Hawaii remains a safe travel destination.

Hawaii’s parks, beaches, and other facilities are key visitor and resident resources, which are inadequately funded, developed, and maintained. The Authority will be aggressive in seeking federal funds for preservation of specific natural attraction sites as well as for initiatives such as highway beautification and trail systems. This funding could help resolve some of the debate over funding for tourism development “vs.” preservation of natural resources.

Waikiki is the window through which Hawaii is viewed. The revitalization and re-enchantment of Waikiki is paramount to Hawaii’s visitor industry. The HTA will be proactive in advocating tax and zoning initiatives to stimulate capital investment in Waikiki to reconfigure and restore its lost attributes.

The Honolulu International Airport arrival experience, in particular, as well as all state airports, are in need of the development of a “Hawaiian sense of place.” The Authority will actively promote improvements in architecture, landscaping, art and signage as well as “a Hawaiian experience” for all visitor arrivals. Additionally, the HTA will advocate infrastructure improvements at neighbor island airports to enhance tourism growth and maintain competitiveness in the world market.

Hawaii’s cruise facilities are unattractive and inadequate for the current and projected needs of the industry. The HTA will advocate multiple island ports and the development of Neighbor Island cruise facilities. Further, the Authority will explore federal funding opportunities for harbor and facility enhancement to expand Hawaii’s market share in this burgeoning market.

STRATEGIC INITIATIVE G: REGULATIONS AND INVESTMENT INCENTIVES

STRATEGY: Support changes in laws, regulations and capital spending to enable development of alternative and diversified products and new attractions while sustaining Hawaii's natural and cultural resources, and community values.

In regard to tourism policy and planning, tension, conflict, territoriality and lack of trust exists both *within* government, and *among* government, private sector and community stakeholders. There exists a common theme that the government is an obstacle and impediment to tourism growth, and that highly restrictive land use laws and high taxation and regulations contribute to the image of the State as a poor place to do business.

The existing State land use system presents fundamental obstacles to the development of non-traditional, low impact forms of tourism. Despite this, there is no statewide perspective on rationalizing laws, procedures and requirements pertaining to new tourism products. Existing land use laws, which favor agriculture conservation over other uses on lands controlled by the State, have not been substantially changed since their initial adoption, and no significant changes are currently being proposed, despite a fundamental shift in Hawaii's economy from agrarian to tourism. County land use laws and approval processes are very inflexible and make it difficult to permit, much less encourage, new forms of visitor accommodations and attractions. It is strongly indicated that a re-structuring of these regulations would stimulate substantial capital investment and effect the opening of private land for diverse forms of eco, edu, and agri tourism. *This would significantly reduce the conflict of use between community and visitors on public lands.*

The HTA will provide leadership in championing changes in planning, coordination of laws and permitting procedures to support sustainable land uses related to tourism. The HTA will be a catalyst for on-going education and consensus-building in relationships for the development of traditional and new tourism products. *Local communities must play a meaningful role in planning for new types of tourism products if broad community acceptance of them is to be achieved.*

The Authority will provide direction to link tourism with economic diversification. There is a distinct need for diversification both *within* tourism (more business tourism, new niches, etc.) and *from* tourism—i.e., using tourism advertising as a way to promote Hawaii products (food, educational facilities, etc.) and to attract investors in technology, business conferences, etc. The HTA will be an effective coordinator between the public sector and the private sector for this purpose.

A New Beginning

This is the dawn of a new era for tourism in Hawaii. For the first time, a true partnership between business and government has been created to oversee tourism marketing and development from a statewide perspective, and a source of dedicated funding at a globally competitive level has been provided to fund these activities.

While Hawaii enjoyed solid and sustained economic growth in past years, tourism has become an increasingly competitive business. The HTA will achieve success by embracing the desires and concerns of the community, skillfully using the tools entrusted by the Hawaii State Legislature, and implementing the strategies outlined in this plan.

The HTA looks forward to implementing this plan with Hawaii's business and community leaders. The Authority firmly believes that this document offers guidelines for sensible growth that will provide economic stability for the community. Integrity for the host culture, and respect and responsibility for the visitor relationship have shaped the strategies of the plan, and with the support of Hawaii's communities, government, and private sector, the Hawaiian Islands will once again become the most exciting, premier visitor destination in the world.

APPENDIX A: Targets for Managed Economic Growth By State and County

**PREPARED BY THE HAWAII TOURISM AUTHORITY
JUNE, 1999**

Targets for Managed Economic Growth by State and County

Situation Analysis

Visitor expenditures are the product of three variables: (1) number of visitor arrivals; (2) length-of-stay; and (3) expenditures per person per day (PPPD). Generally, discussions regarding the health of the visitor industry have been centered around visitor arrivals. Using visitor arrivals as a measure of success is problematic for several reasons:

- Visitor spending varies by market – some visitors spend less per day than others;
- Visitor lengths-of-stay vary by market – certain types of visitors (e.g., Canadians and Europeans) tend to stay in Hawaii much longer than other types of visitors – ultimately spending more overall than other shorter-staying visitors; and
- Hawaii has a finite wealth of resources – sustainable tourism is critical for the long-term success of the industry, as well as maintaining the integrity of the host culture. A focus on growth in visitor expenditures rather than visitor arrivals is key to sustainable tourism.

Since the visitor industry will continue, at least in the near-term, to be Hawaii's most important economic resource it is important that strategies for *economic* growth be implemented to ensure the prosperity of the state. Due to the inaccuracies and potential conflicts that occur when visitor arrival numbers are used to measure economic success, this plan was developed around a more accurate measure of economic health – *visitor expenditures*.

In addition, the strategies of this plan were developed in accordance with the Major Market Areas identified within the plan, to keep the spending habits and typical lengths-of-stay in proper focus when working to achieve economic growth through total visitor expenditures.

Table 1 below, identifies targets for State-wide visitor arrivals, length-of-stay, and spending per person per day, which results in the overall target for growth in visitor expenditures. These targets are discussed in the Tourism Strategic Plan and presented as general State goals.

Expenditure growth goals for each county are more complex, and have not yet been fully articulated. The development of targets for growth in visitor expenditures by county will account for the infrastructure already existing on each island, the unique product each island offers, potential markets, growth opportunities and most importantly, resident attitudes.

In the absence of more refined targets, Tables 2 and 3 are included. Table 2 outlines targets for the Average Daily Census (ADC) by county. ADC is the number of visitors on the island on any given day, and is a more accurate measure than visitor arrivals as it accounts for two variables: the number of arrivals, and the length-of-stay. Table 3 outlines targets for visitor arrivals by county from both eastbound and westbound markets.

Table 1. Economic Growth for Targeted Visitor Growth: 1997 - 2005

	1997	1998	1999	2000	2001	2002	2003	2004	2005
GSP in current dollars	34,238.6	34,914.8	35,698.4	36,633.9	37,939.4	39,142.1	40,444.0	41,707.2	43,052.2
GSP in constant 1987 dollars	23,859.7	24,296.4	24,636.5	25,006.1	25,531.2	25,990.8	26,510.6	26,987.8	27,500.6
GSP deflator (1987=100)	143.5	143.7	144.9	146.5	148.6	150.6	152.6	154.5	156.6
Wage and salary jobs	539,050	534,250	539,593	544,988	552,073	558,146	564,844	571,057	577,910
Visitor expenditures (\$mil.)	10,770.1	10,864.6	11,134.7	11,575.2	12,165.1	12,787.3	13,443.9	14,136.7	14,867.9
Visitor expenditure deflator (1987=100)	145.3	146.8	148.4	150.6	153.6	156.7	159.8	163.0	166.3
Visitor expenditure in 1987 dollars (\$mil.)	7,412.3	7,403.3	7,504.8	7,686.4	7,919.7	8,161.6	8,412.4	8,672.5	8,942.2
Total visitors	6,876,140	6,743,140	6,830,569	6,967,513	7,170,643	7,381,142	7,599,298	7,825,410	8,059,787
Eastbound									
Visitors	2,798,190	2,496,530	2,499,027	2,519,019	2,544,209	2,569,651	2,595,348	2,621,301	2,647,514
Average length of stay	5.59	5.77	5.77	5.77	5.77	5.77	5.77	5.77	5.77
Spending per person per day (\$)	247.1	249.6	252.4	256.1	261.3	266.5	271.8	277.3	282.8
Visitor share in total visitors, %	40.7	37.0	36.6	36.2	35.5	34.8	34.2	33.5	32.8
Westbound									
Visitors	4,077,950	4,246,610	4,331,542	4,448,494	4,626,434	4,811,491	5,003,951	5,204,109	5,412,273
Average length of stay	10.29	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3
Spending per person per day (\$)	164.5	166.2	168.0	171.4	174.8	178.3	181.9	185.5	189.2
Visitor share in total visitors, %	59.3	63.0	63.4	63.8	64.5	65.2	65.8	66.5	67.2

Table 1-a. Economic Growth for Targeted Visitor Growth: 1999 - 2005
(Percentage growth from previous year)

	1998	1999	2000	2001	2002	2003	2004	2005
GSP in current dollars	2.0	2.2	2.6	3.6	3.2	3.3	3.1	3.2
GSP in constant 1987 dollars	1.8	1.4	1.5	2.1	1.8	2.0	1.8	1.9
GSP deflator (1987=100)	0.1	0.8	1.1	1.4	1.3	1.3	1.3	1.3
Wage and salary jobs	-0.9	1.0	1.0	1.3	1.1	1.2	1.1	1.2
Visitor expenditures	0.9	2.5	4.0	5.1	5.1	5.1	5.2	5.2
Visitor expenditure deflator	1.0	1.1	1.5	2.0	2.0	2.0	2.0	2.0
Visitor expenditure in 1987 dollars	-0.1	1.4	2.4	3.0	3.1	3.1	3.1	3.1
Total visitors	-1.9	1.3	2.0	2.9	2.9	3.0	3.0	3.0
Eastbound								
Visitors	-10.8	0.1	0.8	1.0	1.0	1.0	1.0	1.0
Average length of stay	3.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Spending per person per day	1.0	1.1	1.5	2.0	2.0	2.0	2.0	2.0
Visitor share in total visitors	-9.0	-1.2	-1.2	-1.9	-1.9	-1.9	-1.9	-1.9
Westbound								
Visitors	4.1	2.0	2.7	4.0	4.0	4.0	4.0	4.0
Average length of stay	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Spending per person per day	1.0	1.1	2.0	2.0	2.0	2.0	2.0	2.0
Visitor share in total visitors	6.2	0.7	0.7	1.1	1.0	1.0	1.0	1.0

Table 2. Average Daily Visitor Census by County: 1995-2005

Average Daily Visitor Census (Persons)		1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Total		159,060	161,610	157,810	159,340	161,738	165,354	170,774	176,398	182,235	188,294	194,582
Westbound		113,040	114,440	114,960	119,890	122,233	125,533	130,554	135,776	141,207	146,856	152,730
Eastbound		46,020	47,170	42,850	39,450	39,505	39,821	40,219	40,622	41,028	41,438	41,852
Oahu		83,090	84,500	77,020	74,881	74,977	75,867	77,356	78,916	80,509	82,113	83,750
Westbound		44,670	45,370	42,230	43,620	43,759.3	44,438.6	45,694.0	46,978.6	48,292.9	49,637.2	51,011.8
Eastbound		38,420	39,120	34,790	31,261	31,218.0	31,427.9	31,661.8	31,937.7	32,216.1	32,476.1	32,738.1
Maui		42,970	42,640	43,270	43,021	43,746	44,851	46,523	48,262	50,068	51,945	53,897
Westbound		38,410	38,220	39,000	39,006	39,726	40,798	42,430	44,127	45,892	47,728	49,637
Eastbound		4,560	4,420	4,270	4,015	4,020.6	4,052.8	4,093.3	4,134.2	4,175.6	4,217.3	4,259.5
Kauai		14,350	15,330	16,160	17,533	18,219	18,941	19,966	21,001	22,088	23,251	24,471
Westbound		13,440	14,200	14,770	16,468	17,112.6	17,825.7	18,799.8	19,823.3	20,898.7	22,028.4	23,214.9
Eastbound		910	1,130	1,390	1,065	1,106.1	1,115.0	1,166.4	1,178.0	1,189.8	1,222.4	1,255.6
Hawaii		18,650	19,150	21,360	23,905	24,796	25,696	26,928	28,219	29,570	30,984	32,465
Westbound		16,520	16,650	18,960	20,797	21,635.2	22,470.4	23,630.3	24,847.1	26,123.4	27,462.0	28,865.9
Eastbound		2,130	2,500	2,400	3,108	3,160.4	3,225.5	3,298.0	3,371.6	3,446.3	3,522.2	3,599.3
Share of Average Daily Visitor Census (%)												
Westbound												
Oahu		39.5	39.6	36.7	36.4	35.8	35.4	35.0	34.6	34.2	33.8	33.4
Maui		34.0	33.4	33.9	32.5	32.5	32.5	32.5	32.5	32.5	32.5	32.5
Kauai		11.9	12.4	12.8	13.7	14.0	14.2	14.4	14.6	14.8	15.0	15.2
Hawaii		14.6	14.5	16.5	17.3	17.7	17.9	18.1	18.3	18.5	18.7	18.9
Eastbound												
Oahu		83.5	82.9	81.2	79.2	79.0	78.9	78.7	78.6	78.5	78.4	78.2
Maui		9.9	9.4	10.0	10.2	10.2	10.2	10.2	10.2	10.2	10.2	10.2
Kauai		2.0	2.4	3.2	2.7	2.8	2.8	2.9	2.9	2.9	3.0	3.0
Hawaii		4.6	5.3	5.6	7.9	8.0	8.1	8.2	8.3	8.4	8.5	8.6
Average Length of Stay in County (day)												
Oahu		6.20	6.18	5.60	5.76	5.77	5.79	5.82	5.84	5.86	5.89	5.90
Westbound		7.00	7.02	6.76	6.94	7.0	7.0	7.0	7.0	7.0	7.1	7.1
Eastbound		5.47	5.43	4.64	4.66	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Maui		6.69	6.69	6.71	6.67	6.7	6.7	6.7	6.7	6.7	6.7	6.7
Westbound		7.55	7.62	7.57	7.31	7.3	7.3	7.3	7.3	7.3	7.3	7.3
Eastbound		3.40	3.26	3.30	3.59	3.6	3.6	3.6	3.6	3.6	3.6	3.6
Kauai		5.69	5.81	5.85	6.16	6.15	6.16	6.19	6.21	6.22	6.24	6.26
Westbound		6.21	6.26	6.29	6.63	6.6	6.6	6.6	6.6	6.6	6.6	6.6
Eastbound		2.52	3.08	3.36	2.93	3.0	3.0	3.1	3.1	3.1	3.2	3.2
Hawaii		6.22	6.00	6.47	6.79	6.81	6.82	6.85	6.87	6.89	6.91	6.93
Westbound		7.09	6.88	7.56	7.91	7.9	7.9	7.9	7.9	7.9	7.9	7.9
Eastbound		3.20	3.23	3.02	3.48	3.5	3.5	3.5	3.5	3.5	3.5	3.5

Table 3. Visitor Arrivals by County: 1995-2005

Visitor Arrivals		1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Oahu	Westbound	4,892,000	4,999,090	5,017,940	4,741,130	4,747,012	4,778,785	4,850,459	4,930,017	5,011,046	5,091,950	5,179,720
	Eastbound	2,328,130	2,357,750	2,279,850	2,292,550	2,298,148	2,317,157	2,375,825	2,439,145	2,503,823	2,569,870	2,637,295
		2,563,870	2,631,340	2,738,090	2,448,580	2,448,864	2,461,628	2,474,634	2,490,871	2,507,223	2,522,080	2,542,426
Maui	Westbound	2,345,630	2,325,030	2,352,120	2,354,850	2,391,547	2,448,025	2,533,619	2,622,513	2,714,838	2,810,731	2,910,333
	Eastbound	1,855,730	1,830,140	1,879,320	1,947,060	1,983,562	2,037,118	2,118,603	2,203,347	2,291,481	2,383,140	2,478,466
		489,900	494,890	472,800	407,790	407,986	410,907	415,016	419,166	423,358	427,591	431,867
Kauai	Westbound	921,190	962,350	1,007,980	1,038,830	1,080,957	1,121,471	1,177,016	1,234,994	1,295,851	1,359,880	1,427,071
	Eastbound	789,640	828,340	856,930	906,330	946,376	985,813	1,039,686	1,096,291	1,155,761	1,218,235	1,283,857
		131,550	134,010	151,050	132,500	134,581	135,658	137,330	138,703	140,090	141,646	143,214
Hawaii	Westbound	1,094,110	1,165,300	1,205,750	1,285,550	1,329,185	1,374,564	1,435,713	1,499,606	1,566,369	1,636,134	1,709,037
	Eastbound	850,820	882,940	915,410	959,750	999,599	1,038,188	1,091,780	1,147,997	1,206,966	1,268,814	1,333,680
		243,290	282,360	290,340	325,800	329,585	336,375	343,933	351,609	359,403	367,319	375,356
Visitor Arrivals (annual growth, %)												
Oahu	Westbound		2.0	0.6	-5.5	0.1	0.7	1.5	1.6	1.6	1.6	1.7
	Eastbound		1.3	-3.3	0.6	0.2	0.8	2.5	2.7	2.7	2.6	2.6
Maui	Westbound		2.6	4.1	-10.6	0.0	0.5	0.5	0.7	0.7	0.6	0.8
	Eastbound		-0.9	1.2	0.1	1.6	2.4	3.5	3.5	3.5	3.5	3.5
Kauai	Westbound		-1.4	2.7	3.6	1.9	2.7	4.0	4.0	4.0	4.0	4.0
	Eastbound		1.0	-4.5	-13.8	0.0	0.7	1.0	1.0	1.0	1.0	1.0
Hawaii	Westbound		4.5	4.7	3.1	4.1	3.7	5.0	4.9	4.9	4.9	4.9
	Eastbound		4.9	3.5	5.8	4.4	4.2	5.5	5.4	5.4	5.4	5.4
	Westbound		1.9	12.7	-12.3	1.6	0.8	1.2	1.0	1.0	1.1	1.1
	Eastbound		6.5	3.5	6.6	3.4	3.4	4.4	4.5	4.5	4.5	4.5
	Westbound		3.8	3.7	4.8	4.2	3.9	5.2	5.1	5.1	5.1	5.1
	Eastbound		16.1	2.8	12.2	1.2	2.1	2.2	2.2	2.2	2.2	2.2

APPENDIX B: Marketing Strategies By Major Market Area

**PREPARED BY THE HAWAII TOURISM AUTHORITY
JUNE, 1999**

Introduction

To facilitate enhanced marketing focus and improve the ability to assess effectiveness of marketing expenditures, the Hawaii Tourism Authority (HTA) has segmented the world into the following major market areas (MMAs):

- | | |
|------------|-----------------------------|
| 1. US West | 6. Latin America |
| 2. US East | 7. Other Asia |
| 3. Japan | 8. Oceania |
| 4. Canada | 9. Hawaii Convention Center |
| 5. Europe | 10. Other |

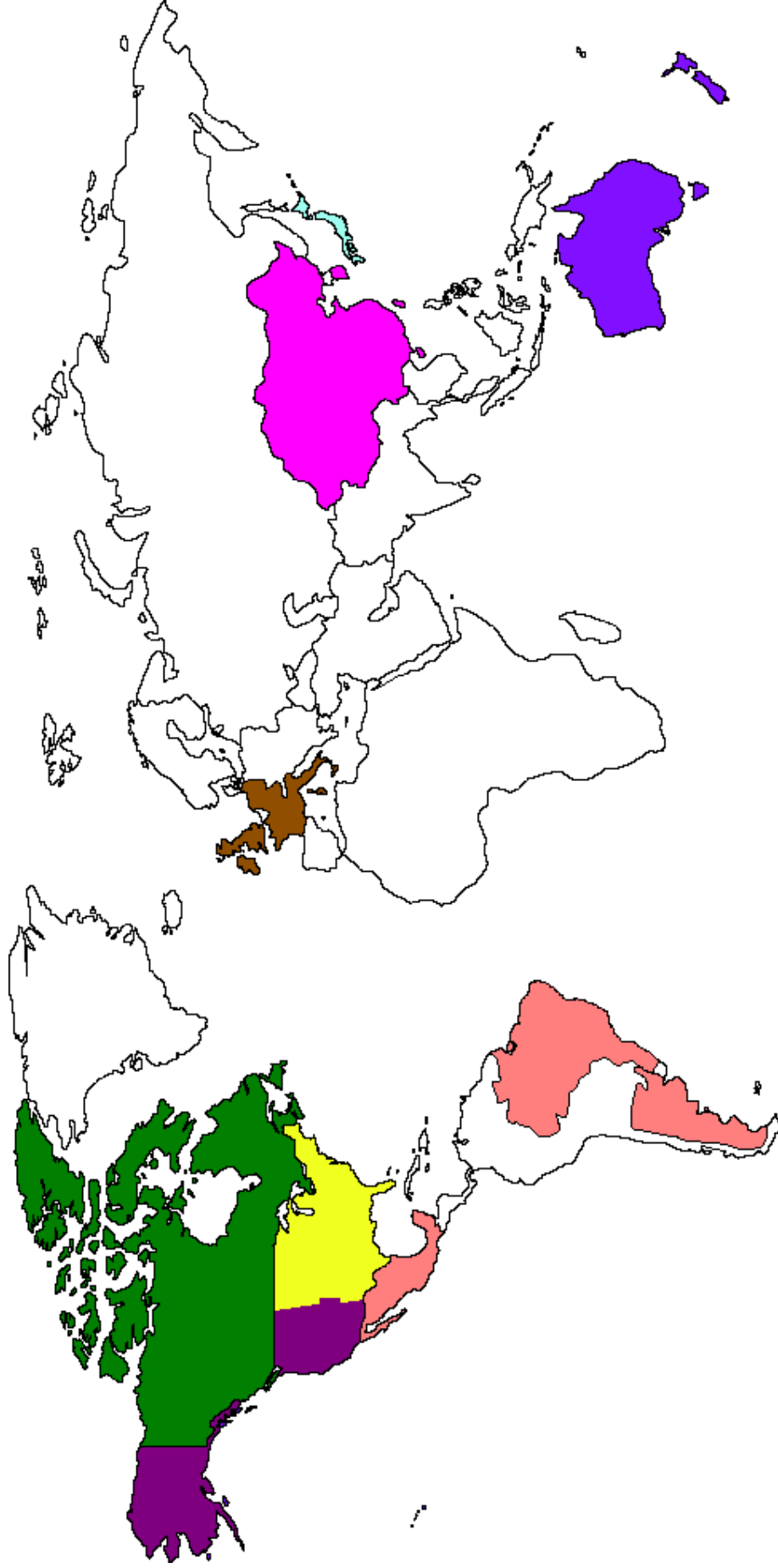
With the exception of the Hawaii Convention Center, the MMAs represent geographic areas around the world that have roughly similar travel characteristics. Given the investment in the Hawaii Convention Center and the different nature of the marketing of city-wide convention business, it will be treated separately. Visitor statistics, particularly visitor spending patterns, will be measured for each MMA.

Resource allocations to the MMAs will be based on obtaining the highest return on investment in terms of visitor expenditures, not just arrivals. Separate marketing strategies and performance allocations are presented for each MMA.

STRATEGY: Increase promotional presence and brand identity to more globally competitive levels to optimize performance in each Major Market Area (MMA).

- ***Structure marketing efforts to stimulate demand during shoulder periods (spring and fall).***
- ***Develop cooperative programs with travel partners to optimize use of HTA resources for Brand marketing.***
- ***Support TV and film initiatives that provide cost-effective, high-profile exposure.***
- ***Increased emphasis on US West, US East, Japan, and Hawaii Convention Center.***
- ***Sustained emphasis on Europe and Canada.***
- ***Developing emphasis on Other Asia, Oceania and Latin America.***

MMA Overview



US West:

US East:

Europe:

Other Asia:

Oceania:

Latin America:

Japan:

Canada:

Other:

Alaska, Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming

All other states (not including territories)

France, Germany, Italy, Switzerland, and the United Kingdom

China, Hong Kong, Korea, Singapore, and Taiwan

Australia, and New Zealand

Brazil, Argentina, and Mexico

Japan

Canada

All other Countries

Draft TSP

MMA Strategies

B-3

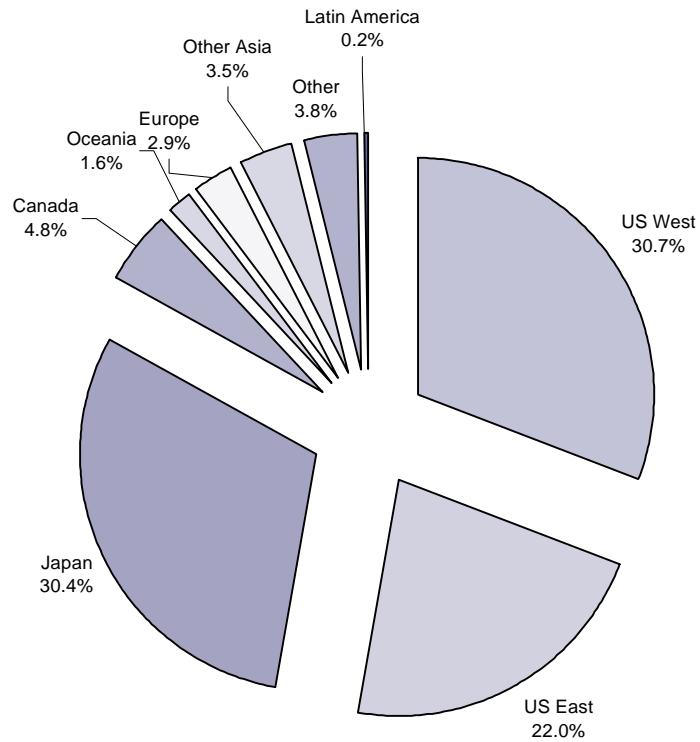
June 29, 1999

State of Hawaii Tourism Indicators by MMA – 1997

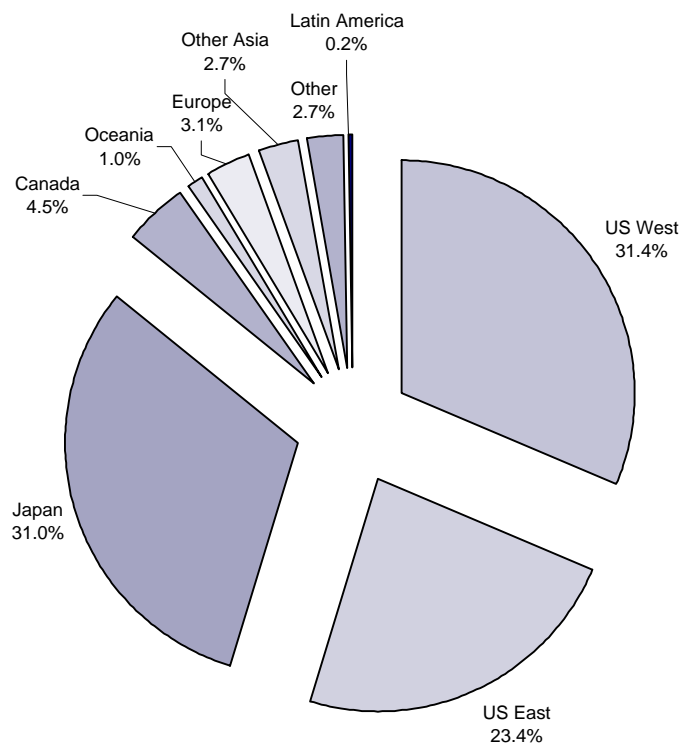
MMA	Total Expenditures (\$ millions)	Rank	Trip Expenditures	Rank	Average Length-of-Stay	Rank	Visitor Arrivals	Rank
US West	\$3,264	1	\$1,544	4	9.6	4	2,114,300	1
Japan	\$3,214	2	\$1,536	5	5.5	8	2,092,480	2
US East	\$2,427	3	\$1,606	2	10.0	3	1,511,110	3
Canada	\$469	4	\$1,433	6	12.0	1	327,200	4
Europe	\$324	5	\$1,621	1	11.0	2	199,750	6
Other Asia	\$277	6	\$1,148	7	6.9	6	241,340	5
Oceania	\$102	7	\$911	8	6.2	7	111,700	7
Latin America	\$25	8	\$1,595	3	9.6	4	15,920	8
Other	\$280		\$1,066				262,340	
Total	\$10,381		\$1,510				6,876,140	

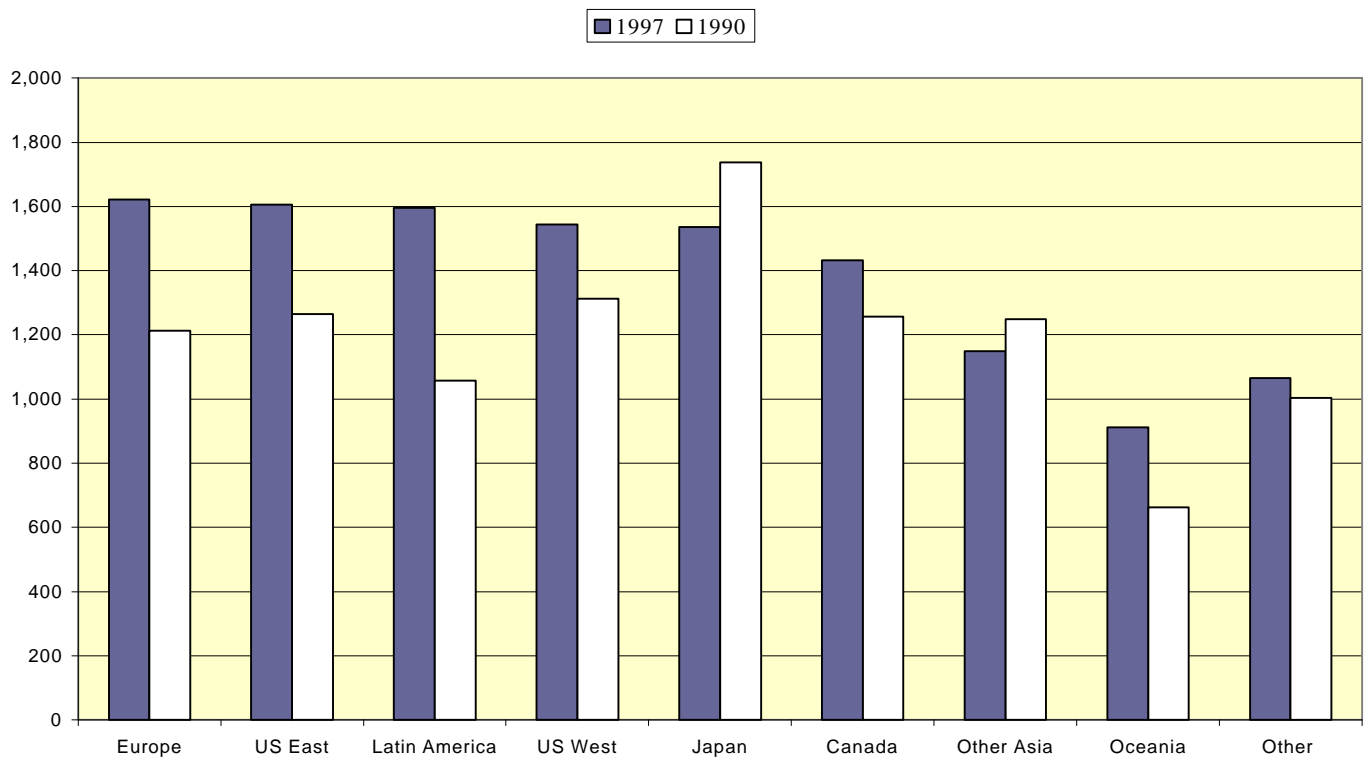
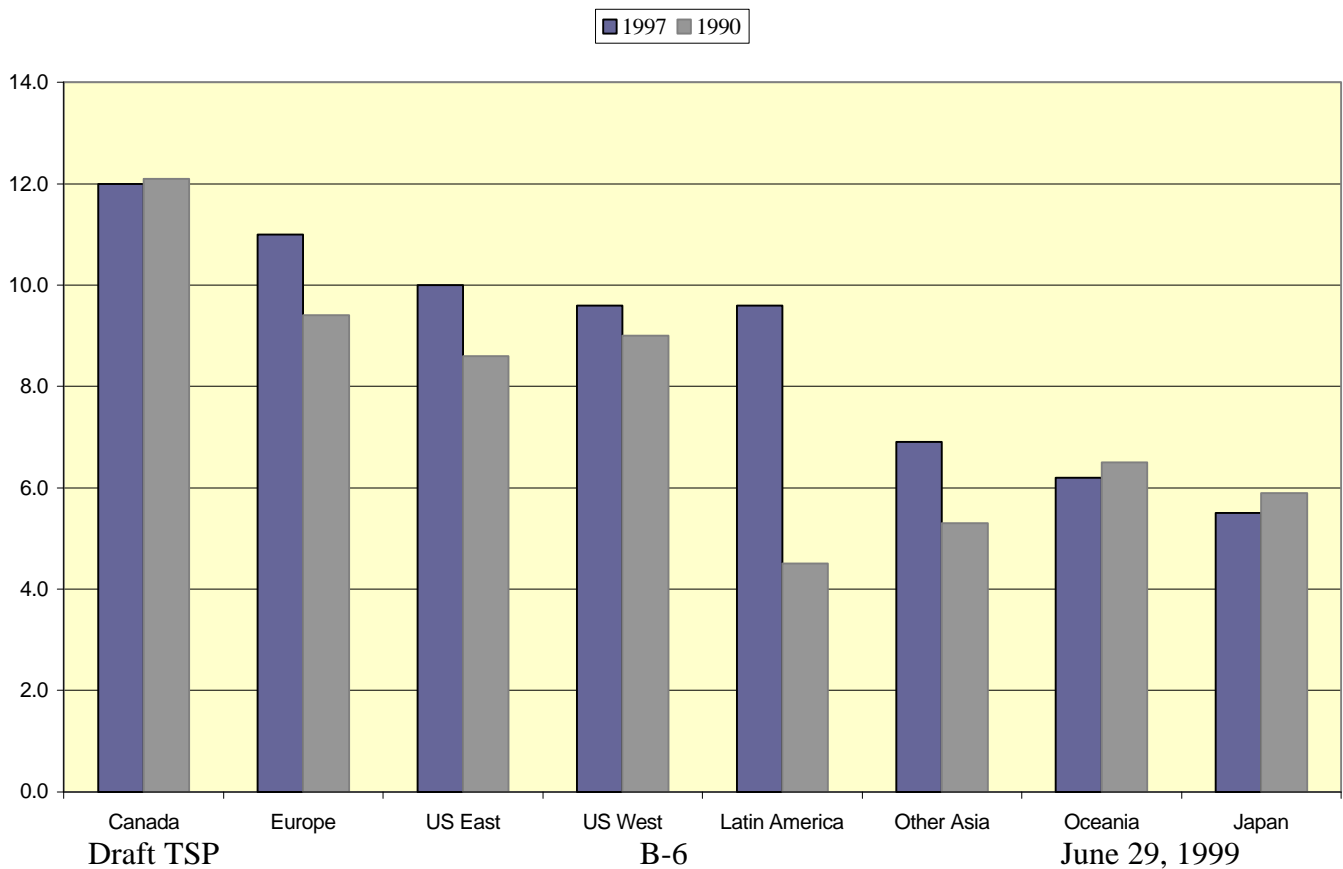
Source: Hawaii Visitors and Convention Bureau

1997 Visitor Arrivals



1997 Visitor Expenditures



1990 & 1997 Average Trip Expenditure**1990 & 1997 Average Length-of-Stay**

MMA: US WEST

Key Situation Analysis Issues

1997 Statistic	Number	Percent Share	Rank
Visitor arrivals	2,114,300	30.7%	1
Visitor days	20,306,000	35.3%	1
Total expenditures	\$3,264,000,000	31.4%	1
Avg trip expenditure	\$1,544	n/a	4

- High repeat market.
- High propensity for outbound travel, economic prosperity, and continued immigration and population growth indicate potential as continued source of new first-time visitors.
- Significant competition that is closer to home and, in some cases, less expensive has experienced dramatic growth in the last decade (e.g., Las Vegas, Mexico).
- Airlift issues present challenges. High frequency routes are less profitable due to competition and unique travel distribution system.

Key Strategic Directions

- Position promotional efforts on diversity of product, activities, and experiences available – good value compared to other destination choices, so as to attract more first time visitors.
- Support development of new attractions and activities that will maintain flow of repeat business.
- Focus marketing efforts to stimulate demand during shoulder seasons (spring and fall).
- Place increasing emphasis on family market.
- Position Hawaii to take advantage of Internet and rapidly evolving distribution system.

Resource allocation: Increased emphasis

MMA: US EAST

Key Situation Analysis Issues

1997 Statistic	Number	Percent Share	Rank
Visitor arrivals	1,511,110	22.0%	3
Visitor days	15,097,000	26.2%	2
Total expenditures	\$2,427,000,000	23.4%	3
Avg trip expenditure	\$1,606	n/a	2

- High GDP and large population base (78 percent of total US population) make this an attractive market.
- 1997 arrivals to Hawaii were approximately 500,000 less than 1990 levels, which represented the largest decrease among all MMAs.
- Hawaii has experienced strong competition from many different areas: Florida (Orlando-Disney), California, Las Vegas, cruise lines (particularly Caribbean cruises), and Europe.
- Time and distance of travel have been impediments.
- Hawaii has had little promotional focus in the market.
- Airlift issues present challenges.
- Time and distance
- Availability of direct flights or convenient connections
- Imposition of travel agent commission caps has negatively influenced retail travel agent booking patterns for Hawaii.

Key Strategic Directions

- Increase promotional efforts to bring Hawaii back on the consumer radar screen.
- Position Hawaii as quality value choice that makes the time and distance of the trip “worth it.”
- Develop creative airlift solutions to facilitate long-distance travel, such as, partnering with airlines and other destinations for stopover promotions.
- Position Hawaii to take advantage of Internet and rapidly evolving distribution system.

Resource allocation: Increased emphasis

MMA: JAPAN

Key Situation Analysis Issues

1997 Statistic	Number	Percent Share	Rank
Visitor arrivals	2,092,480	30.4%	2
Visitor days	11,496,000	20.0%	3
Total expenditures	\$3,214,000,000	31.0%	2
Avg trip expenditure	\$1,536	n/a	5

- Fastest growing market for Hawaii between 1990 and 1997, although recent recession in Japan has hurt market performance, decreased arrivals and daily spending.
- Hawaii has good image and popularity base.
- Not much promotional effort has been applied to Japan until recently.
- Consumers more independent, experienced travelers seeking value that will lead to more independent buying habits and different spending patterns on return visits.
- Strong control of distribution system by major wholesalers.
- Weddings continue to be a strong reason for travel to Hawaii.
- Airlift has not been a constraint for the Japan market.

Key Strategic Directions

- Increase promotional emphasis on Japanese market so as to maintain market share in the short-term. Assure more cultural and style sensitivity in design and implementation of marketing programs
- Position Hawaii product as top quality destination.
 - Define image of Hawaii as vibrant and exciting
 - Position Honolulu as a cosmopolitan city.
 - Focus on culture, education and sports tourism products for younger generation.
 - Maintain focus on wedding market
- Support development of additional activities, attractions and experiences to maintain repeat share.
- Encourage travel to the Neighbor Islands.
- **Resource allocation: Increased emphasis**

MMA: CANADA

Key Situation Analysis Issues

1997 Statistic	Number	Percent Share	Rank
Visitor arrivals	327,200	4.8%	4
Visitor days	3,940,000	6.8%	4
Total expenditures	\$469,000,000	4.5%	4
Avg trip expenditure	\$1,433	n/a	6

- Second highest propensity to travel on a per capita basis of all MMAs.
- Currency issues have made Hawaii more expensive.
- Canada business is more winter-oriented (November-April).
- Canadians tend to spend less per day, but stay for longer periods and patronize local businesses.
- Most business booked through retail travel agents.
- Market is driven by airlines (primarily charters).

Key Strategic Directions

- Maintain brand awareness to maintain market share.
- Maintain education of retail travel distribution network

Resource allocation: Sustained emphasis

MMA: EUROPE

Key Situation Analysis Issues

1997 Statistic	Number	Percent Share	Rank
Visitor arrivals	199,750	2.9%	6
Visitor days	2,195,000	3.8%	5
Total expenditures	\$324,000,000	3.1%	5
Avg trip expenditure	\$1,621	n/a	1

- UK and Germany represent over 79 percent of Europe MMA arrivals to Hawaii. France, Italy and Switzerland comprise remainder of Europe MMA.
- Most European customers (particularly German and UK) have long length of stay, so total spending per visitor is high.
- Europeans tend to take longer vacations and are willing to travel further.
- Inexpensive air packages drive the bulk of the market.
- Hawaii has had little, if any, promotional focus in Europe.
- Market has opportunity for growth

Key Strategic Directions

- Improve brand focus on Hawaii in key countries.
- Develop innovative strategies with other destinations to capture a portion of long-stay vacations.
- Use merchandising to raise awareness of Hawaii.
- Research niche market opportunities.
- Work with airlines to encourage better routes;

Resource allocation: Sustained emphasis

MMA: OTHER ASIA

Key Situation Analysis Issues

1997 Statistic	Number	Percent Share	Rank
Visitor arrivals	241,340	3.5%	5
Visitor days	1,662,000	2.9%	6
Total expenditures	\$277,000,000	2.7%	6
Avg trip expenditure	\$1,148	n/a	7

- Korea and Taiwan represent 74 percent of all Other Asia arrivals. Hong Kong, China and Singapore comprise remainder of Other Asia MMA.
- Economic situation has hurt market performance considerably.
- Serious travel visa restrictions exist.
- Lack of convenient air connections.
- Huge younger age populations represent great future markets.

Key Strategic Directions

- Focus on countries with best potential—Korea, Taiwan.
- Support easing visa restrictions and developing convenient air service to Hawaii.
- Build base awareness for Hawaii as a brand.
- Support efforts to promote sports, cultural and educational exchanges.
- Explore partnership with West Coast/Las Vegas for stopover promotions.

Resource allocation: Developing emphasis

MMA: OCEANIA

Key Situation Analysis Issues

1997 Statistic	Number	Percent Share	Rank
Visitor arrivals	111,700	1.6%	7
Visitor days	693,000	1.2%	7
Total expenditures	\$102,000,000	1.0%	7
Avg trip expenditure	\$911	n/a	8

- Comprised of Australia (67%) and New Zealand (33%).
- Very little lift to Hawaii (particularly compared to pre-1993 levels).
- Hawaii has excellent brand awareness in the region.
- Very cost-conscious customer.
- Weakening of currencies has made ASEAN destinations more attractive for Australians.
- Hawaii, particularly Honolulu, appears to be perceived as less of a cultural or ecotourism experience—both of which are desired by Australians—than competitive destinations.

Key Strategic Directions

- Support increase in airlift.
- Maintain base brand awareness presence.

Resource allocation: Developing emphasis

MMA: LATIN AMERICA

Key Situation Analysis Issues

1997 Statistic	Number	Percent Share	Rank
Visitor arrivals	15,920	0.2%	8
Visitor days	152,000	0.3%	8
Total expenditures	\$25,000,000	0.2%	8
Avg trip expenditure	\$1,595	n/a	3

- Comprised of Brazil (68%), Argentina (23%) and Mexico (3%).
- No convenient air service to Hawaii. New service via Southwest gateway being developed.
- Long term development market.
- Direct consumer promotions and advertising very effective with Latin Americans.
- Hawaii generally considered expensive due to distance and high accommodation prices compared to Mexico and the Caribbean.
- Preference for shopping, leisure activities, golf facilities. Affordable, all-inclusive packages to the Caribbean are popular.

Key Strategic Directions

- Build initial brand awareness in key cities with travelers in more affluent income categories.
- Support development of convenient air links and access to promotional seats; support airlines with South American service.

Resource allocation: Developing emphasis

MMA: HAWAII CONVENTION CENTER

Key Situation Analysis Issues

- Marketing efforts have been inconsistent and hampered by some “structural” problems between the HVCB and CCA.
- Hawaii Convention Center has under-performed expectations.
- Significant growth in competitive centers in the last five years.
- Hawaii’s distance makes major exhibition shows more costly.
- Local population base doesn’t support major product shows that would normally provide revenue between city-wide meetings.
- Approximately 1,250 groups in likely target market (i.e., ability to rotate to western US, off-shore, or international locations have at least 1,000 delegates or more; require 200,000 square feet or less of exhibit space; previously used convention centers for meetings.)

Key Strategic Directions

Year	Actual as of 2/10/99		New Goals (Minimum) 3/10/99	
	# of Events	Attendees	# of Events	Attendees
1999	9	44,959	15	75,000
2000	11	74,840	24	145,000
2001	3	5,800	30	160,000
2002	8	25,100	30	160,000
2003	10	16,385	36	190,000
2004	4	26,800	40	220,000
Sub-total	45	193,984	175*	950,000
2005-2001	9	82,065	120**	600,000

* By December 31, 1999; ** By December 31, 2002

- Resolve and streamline “structural” issues that hamper marketing and operational effectiveness. Study impact of operational issues on HTA, including preparation for possible assumption of operational responsibilities.
- Encourage trial of center to build base of business through aggressive selling, flexible pricing and incentives during initial years of operation.
- Enhance Hawaii’s image as a good place for business conferences.

- Focus on building shoulder period demand.
- Create network for potential partnerships.
- Support restructuring of debt.

Resource allocation: Increased emphasis

APPENDIX C: Events

**PREPARED BY THE HAWAII TOURISM AUTHORITY
JUNE, 1999**

EVENTS

Situation Analysis

The Hawaiian Islands offer an abundance of thrilling experiences — major professional and college sporting events, multi-cultural festivals and visitor attraction events — showcased on a diverse range of beautiful venues: water, land and air. Adding to that appeal, Hawaii's ideal weather patterns and training conditions contribute to the Islands' image as THE place for sports and festivals.

Strategic Directions

- Develop an event marketing plan to maximize visitor expenditures and provide synergy to the HTA's overall MMA strategies.
- Identify those events which will stimulate visitor arrivals.
- Select events which play an appropriate role in marketing and provide resources to maximize benefits to the State.
- Utilize events as a productive marketing and communications tool to generate a substantial amount of publicity and exposure for Hawaii.
- Solicit co-op marketing partners to assist with extending the reach and impact of Hawaii's events.
- Educate visitors about Hawaii's history, people and culture.
- Provide venues to attract Hawaii's visitors to the State's unique environment for sports, health, fitness, and recreation.
- Produce a calendar of events that will provide events in "shoulder seasons" to minimize fluctuations in visitor arrivals and expenditures and provide an impetus for increasing airlift capacity.

APPENDIX D: Product Development

**PREPARED BY THE HAWAII TOURISM AUTHORITY
JUNE, 1999**

AGRI TOURISM

Situation Analysis

Hawaii has a rich agricultural tradition ranging from ranches, farms and plantations to fishponds, taro loi and coffee fields. The Islands' unique climate and year-round growing season, coupled with the resources of the University of Hawaii and the large inventory of available agricultural land, provide vast potential for this form of tourism which should be "bundled" with health, adventure, cuisine, cultural, eco, and edu tourism.

Strategic Directions

- Create menus of experiences to make it easier for visitors to purchase agri tourism experiences and products.
- Promote the value-added component of agricultural products.
- Promote cuisine related to Hawaiian products.
- Advocate "Bed & Breakfasts" (B & B's) and "Country Inns" on agriculture lands, farms, and ranches.
- "Bundle" agricultural experiences with health, adventure, culture, eco, and edu tourism.

CULTURAL TOURISM

Situation Analysis

Hawaii possesses one of the richest cultural diversities in the world. Not only is the host Hawaiian culture unique, but multi-cultural and traditional western cultural resources exist in Hawaii. The Islands' *aloha spirit* is acclaimed the world over and Hawaii's high levels of artistic achievement are unparalleled.

Strategic Directions

- Coordinate organizations presently involved in cultural activities to market Hawaii as a rich, multi-cultural center.
- Create and support "signature" cultural events and supplement with other product offerings.
- Provide resources for community-based cultural initiatives and supplement with other products.
- Change paradigm to "grass roots" perspective.
- Coordinate what Hawaii wants to sell with what visitors want to buy.

EDU TOURISM

Situation Analysis

There is much to learn in Hawaii through formal educational forums as well as “soft programs” such as Pacific cuisine culinary classes, EdVenture programs, conferences, cultural experiences, elder hostels and training venues. Programs involving school children and their parents coming to Hawaii for educational excursions offer exceptional potential.

Strategic Directions

- Integrate the tourism marketing objectives with those of the academic and learning communities to achieve the overall goals of the HTA, with a focus on statewide synergy.
- Foster partnerships of the visitor and education communities benefiting both visitors and residents alike.
- Develop programs to attract out-of-state visitors to Hawaii for educational purposes.
- Create packages and partnerships with airlines, travel agents, and wholesalers.
- Develop programs and activities to expand product offerings in this area.

HEALTH AND WELLNESS TOURISM

Situation Analysis

Hawaii should focus on wellness rather than the tertiary care aspects of health tourism. The state can also be a center of complementary medicine as a supplement to traditional western medical care. Hawaiian, Asian, and Western cultural, spiritual and medicinal resources and practices currently flourish in Hawaii. Hawaii’s healthy climate and environment provide an ideal relationship with “life-style” activities.

Strategic Directions

- Integrate aspects of health tourism with other tourism products such as sports, agriculture, ecology, culture and technology.
- Create programs that relate complementary medical practices to traditional western medical care.
- Facilitate and develop partnerships of the visitor and health and wellness communities to provide expanded product offerings and visitor attractions.
- Establish programs based on telemedicine and dissemination of health care.

ECO TOURISM

Situation Analysis

Hawaii's unique and beautiful settings provide a wide range of eco-systems. From unequalled ocean resources to majestic canyons and mountains, Hawaii offers both visitor and resident alike an unparalleled diversity of nature experiences.

Strategic Directions

- Support activities which promote conservation and sustainability of Hawaii's natural resources through educational programs.
- Create programs that will leverage Federal or private sector funds through matching challenge grants for the protection of the environment.
- Encourage synergy with the world-wide interest in ecologically responsible and economically sustainable tourism.
- Advocate changes in constraining laws that will encourage capital investments in resources and private lands for eco-tourism product development, reducing pressure on public lands.

SPORTS TOURISM

Situation Analysis

Hawaii should focus on "life-style" sports complemented by sports tournaments rather than professional sports. Hawaii is blessed with major football, golf, marathon, triathlon, and other events. With the exception of football, these other events emphasize aspects of "life-style" sports, or sports that are participant oriented and can be pursued over a lifetime. Training in these sports such as running, swimming, cycling, and golf can be an especially strong niche for Hawaii if venues are created and are accessible.

Strategic Directions

- Build Hawaii's image as a life-style sports center.
- Build complementary events around "signature" events.
- Market on a mass media as well as on a person-to-person basis.
- Advocate investment in venues and training camps and create events to support their use.

TECHNO TOURISM

Situation Analysis

Over the last several years, an infrastructure for high technology has been developed in Hawaii including a fiber optics network linking Hawaii to the world. From the observatories on Mauna Kea, the deep ocean facilities of the Natural Energy Laboratory of Hawaii Authority (NELHA), the “super computer” on Maui, the Pacific Missile Range Facility on Kauai, to the diverse resources on Oahu, Hawaii has a vast array of technical resources unequalled in the world. There is a significantly growing reason for visitors to come to Hawaii to utilize these resources and participate in conferences and symposiums related to these assets. *Recognizing the full spectrum of technology resources in Hawaii is key to enhancing Hawaii’s business image, accommodating science and technology conferences, marketing emerging visitor centers, as well as diversifying the economy and creating jobs.*

Strategic Directions

- Integrate tourism marketing objectives with those of the science and technology communities to achieve the overall goals of the HTA, with a focus on statewide synergy.
- Establish partnerships with non-profit and community organizations designed to leverage state funding with that of the federal and private sectors.
- Foster partnerships to provide for visitor attractions of technology venues.
- Market existing and emerging visitor centers.
- Integrate HTA objectives with those of the science and technology communities to provide for trade shows, seminars, expositions, and visitor centers which will enhance Hawaii’s business image.
- Establish marketing and business attraction programs that will increase tax revenues to Hawaii by attracting incremental and diversified businesses, thus stimulating job creation as well as an increase in visitor expenditures.